

NEW APPLICATION

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AZ CORP COMMISSION
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Arizona Corporation Commission

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MAR 12 2009

Attorneys for Chaparral City Water Company

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF CHAPARRAL CITY WATER
COMPANY, INC., AN ARIZONA
CORPORATION, FOR AUTHORITY (1)
TO ISSUE EVIDENCE OF
INDEBTEDNESS IN AN AMOUNT NOT
TO EXCEED \$2,140,000.00 IN
CONNECTION WITH THE
CONSTRUCTION OF WATER SYSTEM
INFRASTRUCTURE ARSENIC
TREATMENT IMPROVEMENTS; AND
(2) TO ENCUMBER ITS REAL
PROPERTY AND PLANT AS SECURITY
FOR SUCH INDEBTEDNESS.

DOCKET NO: W-02113A-

APPLICATION - FINANCING

W-02113A-09-0112

Pursuant to A.R.S. §§ 40-285, 40-301 and 40-302, Chaparral City Water Company, Inc. ("CCWC" or the "Company"), an Arizona public service corporation, hereby applies for authority from the Arizona Corporation Commission ("Commission") to (1) issue evidence of indebtedness in an amount not to exceed \$2,140,000.00 on the terms and conditions set forth below, and (2) encumber its real property and utility plant as security for such indebtedness. This debt will be incurred for the purpose of constructing and installing a GFH arsenic treatment system to reduce the arsenic levels for water produced by Company wells Nos. 10 and 11 to below the maximum contaminant level (MCL). The arsenic treatment equipment will help to reduce arsenic levels by replacing the current blending system used to achieve MCL compliance, which reduces pumping efficiency. As a result of the improvements, water production will be more efficient.

1 In support of this application, CCWC states as follows:

2 **A. General Background.**

3 1. CCWC is a public service corporation providing water service to
4 approximately 13,500 customers in Maricopa, Arizona. The Company's current rates and
5 charges were authorized in Decision No. 70441 (July 28, 2008).

6 2. CCWC's business office is located at 12021 N. Panorama Dr., Fountain
7 Hills, AZ 85268, and its telephone number is (480) 837-3411. Its District Manager and
8 primary management contact is Robert N. Hanford. Mr. Hanford is responsible for
9 overseeing and directing the conduct of this rate application. All discovery, data requests
10 and other requests for information concerning this Application should be directed to
11 Mr. Hanford, with a copy to undersigned counsel for CCWC.

12 3. Financial statements for the twelve-month period ending December 31, 2008,
13 are not available at this time, but will be filed as a late-filed exhibit to this Application.

14 **B. Purposes of Financial Transactions.**

15 4. The primary purpose of the long-term debt financing contemplated herein is
16 to construct new GHF arsenic treatment facilities for two existing wells in order to reduce
17 the current demand on water production by removing blending equipment currently used
18 to comply with arsenic MCL requirements, making them more efficient and productive
19 over the long-term. In addition, the production of water from these wells that meet the
20 arsenic MCL standard will allow the Company to continue providing water to customers
21 in the event Central Arizona Project water becomes unavailable, for whatever reason, for
22 purposes of blending to achieve Safe Drinking Water Act compliance, which is the
23 procedure currently utilized. The total estimated cost of the additional plant and
24 improvements is approximately \$2,140,000.00. CCWC shall supplement this filing with a
25 detailed breakdown of the estimated cost of the water system improvements.

26

1 **C. Terms and Conditions of Financial Transactions.**

2 5. The Company has applied to the Water Infrastructure Finance Authority
3 (“WIFA”) for financing, in large part, because WIFA expects to receive monies from the
4 recent federal stimulus legislation – the American Recovery and Reinvestment Act of
5 2009. A copy of the Company’s WIFA application is attached hereto as **Exhibit 1.**¹
6 CCWC understands that funds will be available for projects of this nature on reasonable
7 terms, including a very low interest rate. However, the specific and actual terms of the
8 WIFA financing are not known at this time. CCWC will supplement if and when such
9 information becomes available.

10 6. The Company expects that its repayment obligation to WIFA will be secured
11 by the grant of a security interest in some or all of its real property and its water plant and
12 system, which property and facilities are yet to be identified.

13 **D. Effects of Financial Transactions.**

14 7. CCWC’s proforma income statements for the period ending December 31,
15 2008, are not available at this time, but will be filed as a late-filed exhibit to this
16 Application. The loan proceeds will be issued for lawful purposes, and the execution of
17 the loan agreement with WIFA and the grant of a security interest in CCWC’s real
18 property, plant and system, and the undertaking of the obligations set forth therein are
19 within the Company’s corporate powers. A Corporate Resolution authorizing the
20 contemplated transaction will be filed as a late filed exhibit to this Application.

21 8. The financial transactions contemplated herein are compatible with sound
22 financial practices. CCWC has been urged by the Commission’s Chairman to seek WIFA
23 financing to help address long-standing water supply limitations in its service territory.
24 CCWC agrees that the pursuit of such financing is warranted.

25 _____
26 ¹ CCWC’s response to Section 1.2 of the Addendum to PPL Application is being amended to convey that debt
authorization has not yet been approved by the Commission.

1 9. The approvals sought herein are compatible with the public interest and with
2 the proper performance of CCWC's duties as a public service corporation. The proceeds
3 of the financing will be utilized exclusively to construct new arsenic treatment equipment,
4 as well as to comply with ADEQ requirements. No portion of the proceeds will be used to
5 pay operating expenses. The approvals sought herein are necessary to ensure the
6 Company's ability to continue to provide safe and reliable water utility service in
7 compliance with all applicable law and regulation, including the rules and regulations of
8 ADEQ.

9 10. The financing contemplated herein will not impair the Company's ability to
10 perform its duties as a public service corporation providing water utility service.

11 11. CCWC is in the process of providing notice of this application by publishing
12 notice, in the form provided by the Commission, in a newspaper of general circulation in
13 the area in which the Company provides service. Proof of publication and a true copy of
14 the notice as it appeared in the newspaper will be filed with the Commission.

15 Based on the foregoing, CCWC respectfully requests the following:

16 A. That the Commission consider this Application on an expedited basis,
17 including the scheduling of a hearing, if necessary, on this matter as soon as practicable;

18 B. That the Commission enter an order approving this Application and
19 authorizing CCWC to incur indebtedness in an amount not to exceed \$2,140,000.00 and to
20 encumber its real property and utility plant and system to secure such indebtedness for the
21 purposes described herein above to the extent necessary; and

22 C. That the Commission authorize CCWC to take such other and further action
23 as may be necessary to effectuate the purposes of this Application, as may be appropriate
24 under the circumstances herein.

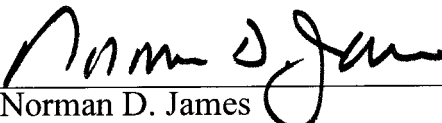
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RESPECTFULLY SUBMITTED this 12th day of March, 2009.

FENNEMORE CRAIG, P.C.

By 
Norman D. James
Patrick J. Black
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012
Attorneys for Chaparral City Water
Company

ORIGINAL and thirteen (13) copies
of the foregoing were delivered
this 12th day of March, 2009, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

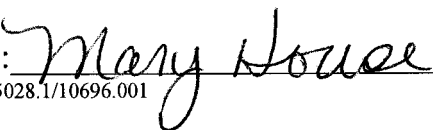
By: 
2175028.1/10696.001

EXHIBIT 1

DRINKING WATER APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
Project Financial Assistance Priority List Application

SECTION 1: APPLICATION INFORMATIONAPPLICATION NUMBER: 413 |  **Print**

- 1.1 Applicant: Chaparral City Water Company Job Title: District Engineer
- 1.2 Contact Names: First Michael Middle Initial: S Last: Thompson
- 1.3 Address: 12021 N. Panorama Drive City: Fountain Hills State: AZ Zip: 85268
- 1.4 Phone: (480) 837-3411 Fax: (480) 837-5310 E-Mail: mthompson@gswater.com
- 1.5 County in Which Project is Located: Maricopa
- 1.6 Number of Connections to System: 13345 Population Served by the System: 26000
- 1.7 Average Monthly Fee (Base + Use): \$46.90
- 1.8 Existing Debt (principal only) Payable by System Users: \$8,265,000.00
- 1.9 Median Household Income: \$61,819.00
- 1.10 ADEQ System Identification Number (PWS #): AZ0407017
- 1.11 Are you ACC Regulated? ☒ Yes ☐ No
- 1.12 Has this project received prior year WIFA funding?
- ☒ No
- ☐ Yes, request is for a multi-year construction project that received assistance in a previous funding cycle
- ☐ Yes, request is to construct a project that received TA funds in a previous funding cycle
- ☐ Yes, request is for additional financial assistance to offset actual costs of justified overruns
- 1.13 Is your company registered with the E-Verify Program? ☒ Yes ☐ No
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

- 2.1 Project Title/Name: Well #10 & 11 Site Improvements
- 2.2 Type of loan required during this funding cycle? ☐ Design \$0.00 and/or ☒ Construction \$2,140,000.00
- 2.3 Briefly summarize below the problem (Mail or upload any supporting documentation)
- Well #10 Site:
 Arsenic levels at this well site normally range between 10 and 15 ppb. An arsenic blending system was installed reducing the arsenic level to 8 ppb however, the well pumping efficiency decreased from 86% to 76% reducing production approximately 35%.
- Well #11 Site:
 The existing well (submersible) and well site is approximately 37 years old and in need of major renovation. 1) well age requires construction of a new well; 2) the Motor Control Center (MCC) has catastrophically failed beyond repair; 3) Arsenic levels are above the MCL; 4) fire department requiring the gas chlorine system to be replaced with liquid chlorine; 5) pump to waste basin to capture water from well during start-up; and, 6) existing fence is insufficient as it encompasses only a small portion of the well site, as the site needs to be enlarged to provide adequate room for the necessary improvements.
- 2.4 Briefly summarize below the Solution
- Well #10 Site:
 Construct and install a GFH arsenic treatment system to reduce the arsenic level below the MCL. The treatment system will take the burden off the well increasing well pumping efficiency and production.
- Well #11 Site:
 Construct and install a new turbine well, replace the existing MCC, install a GFH arsenic treatment system, construct CMU building to house the liquid chlorine system, construct a pump to waste basin, and construct CMU and tubular steel security fence to encompass the site.
- 2.5 Project Purpose: (Select only one)
- ☐ Assist Non-Compliant Systems to Achieve Compliance
- ☐ Assist Compliant Systems to Meet Future Reqmnts

- ☒ Assist Compliant Systems to Maintain Compliance
☐ Other Assistance Not Compliance Related

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS**3.1 Select Type(s) of Needs to be Funded**

- | | | |
|--|---|--|
| <input type="checkbox"/> Planning and Design Only | <input checked="" type="checkbox"/> Treatment-Bacteriological | <input type="checkbox"/> Treatment-Surface Water |
| <input type="checkbox"/> Treatment-Nitrate | <input checked="" type="checkbox"/> Treatment-Arsenic | <input type="checkbox"/> Treatment-Radionuclides |
| <input type="checkbox"/> Treatment-Organic Chemical(s) | <input type="checkbox"/> Treatment-Primary Standard [Metals(s)] | <input type="checkbox"/> Treatment-DBP |
| <input type="checkbox"/> Treatment-Other | <input type="checkbox"/> Transmission and Distribution | <input checked="" type="checkbox"/> Source |
| <input type="checkbox"/> Storage | <input type="checkbox"/> Purchase of System(s) | <input type="checkbox"/> Restructuring |
| <input type="checkbox"/> Land Acquisition | | |

3.2 Select Expected Project Benefit(s)

- ☒ Compliance - Existing Requirements ☒ Compliance - New Requirements ☐ Expand Service
☒ Reduce Public Health Risks

3.3 Water Quality Improvement

- ☒ Proposed project addresses deficiencies identified by ADEQ ☐ Submitted a complete capacity development plan to ADEQ
☐ Proposed project includes installing meters to monitor water use

3.4 Consolidation and Regionalization

- ☐ Consolidate physical facilities of existing multiple facilities ☐ Extending service to existing areas currently served by another facility
☐ Consolidate the operations of existing multiple facilities ☐ Consolidate the ownership of existing multiple facilities

3.5 System Compliance *must mail or upload supporting documents

- ☐ Notice of violations and/or consent orders from regulatory agency *
☒ In compliance

SECTION 4: READINESS TO PROCEED INDICATORS**4.1 Debt Authorization** (For more information, see WIFA Debt Authorization Guidance Document)

- ☐ Authorized (mail or upload copy of official governing body debt authorization resolution or election results)
☒ Date of Election or Authorization Unknown
☐ Scheduled
If scheduled, enter anticipated election or authorization date: _____ [mm/dd/yyyy]

4.2 Project Design (Select only one)

- ☐ Completed ☐ Engineer Selected ☐ Date of Completion Unknown ☒ Scheduled for Completion
Enter anticipated completion date: 7/31/2009 [mm/dd/yyyy]

4.3 Applicable Plan and Specification Approvals (Select only one)

- ☐ Obtained (mail or upload approval notification)
☒ Date of Approval Unknown
☐ Not Applicable (use textbox below to explain)
☐ Scheduled to Obtain Permits
If scheduled, enter anticipated permit(s) date: _____ [mm/dd/yyyy]
If not applicable, then explain: _____

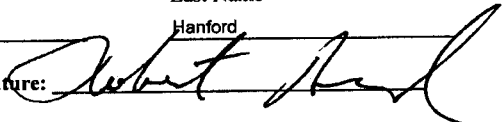
4.4 Project Bids (Select only one)

- ☐ Solicited Project for Bidding ☒ Date of Solicit Unknown ☐ Scheduled to Solicit Bid(s)
If scheduled, enter anticipated bid award date: _____ [mm/dd/yyyy]

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL5.1 Estimated Date WIFA Funding Required: 9/30/2009 [mm/dd/yyyy]5.2 Estimated Financial Assistance Costs & Funding Source (*Soft costs*)

Funding Source	Project Costs
Amount Funded Locally:	<u>\$900,000.00</u>
Amount Requested from WIFA:	<u>\$2,140,000.00</u>
Other Source: _____	<u>\$0.00</u>
Total Cost:	<u>\$3,040,000.00</u>

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name	Last Name	Title
Robert	Hanford	Manager
Authorized Signature: 		Date: <u>3/4/09</u>

ADDENDUM TO PPL APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
American Recovery and Reinvestment Act (ARRA)

Community Name: Chaparral City Water Company Date: 3/5/2009
 Project Contact: Michael Thompson Phone: (480) 837-3411
 Project ID: DW-141-2009 Email: mthompson@gswater.com
 Project Title: Well #10 & 11 Arsenic Treatment

Should this Application be considered for American Recovery and Reinvestment Act funds? ☒ Yes ☐ No. If Yes, complete the following questions below. If you have selected 'No', skip to the bottom of this addendum and select submit.

As stated in the cover letter, the purpose of the Act is to provide funds that will stimulate job creation through swift initiation of infrastructure projects. The citation below requires WIFA to provide preference to those purposes.

SECTION 1: PREFERENCE FOR QUICK START

ARRA Sec. 1602. In using funds made available in this Act for infrastructure investment, recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after the date of the enactment of this Act. Recipients shall also use grant funds in a manner that maximizes job creation and economic benefit.

1.1 As of February 17, 2009, when will your project be prepared to start construction?

☒ Already Started ☐ Within 60 days ☐ Within 120 days ☐ Within 180 days ☐ Within 365 days

To enter into a loan agreement, organizations must have debt authorization. If you are not sure what this requires for your organization, refer to WIFA's documents "WIFA Debt Authorization Guidance Document" and "Sample Debt Authorization Resolution."

1.2 Do you currently have debt authorization? ☒ Yes ☐ No. If no, when will do you plan on receiving debt authorization? Prior

to: ☐ March, 3 2009 ☐ March 17, 2009 ☐ April 14, 2009 ☐ May 19, 2009 ☐ June 16, 2009 ☐ Other

1.3 After the start of construction, when will construction be completed and/or the final loan disbursement be requested from WIFA?

☒ Within 6 months ☐ Within 1 year ☐ Within 2 years ☐ Within 3 years

SECTION 2: USE OF AMERICAN IRON, STEEL, AND MANUFACTURED GOODS

ARRA Sec. 1605. Use of American Iron, Steel, and Manufactured Goods. (a) None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. (b) Subsection (a) shall not apply in any case or category of cases in which the head of the Federal department or agency involved finds that--

- applying subsection (a) would be inconsistent with the public interest;
- iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.
- If the head of a Federal department or agency determines that it is necessary to waive the application of subsection (a) based on a finding under subsection (b), the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.
- This section shall be applied in a manner consistent with United States obligations under international agreements.

2.1 Are you willing to include this "Use of American Iron, Steel, and Manufactured Goods" requirement in your plans and specification documents and provide supporting documentation that you have complied with this requirement? ☒ Yes ☐ No

If No, please provide a brief explanation below:

2.2 If you have already solicited bids, was this requirement included? ☒ Yes ☐ No. If No, would you be willing to re-bid? ☒ Yes

☐ No. If you had to go back out and re-bid, please adjust your answer in Section 1, if necessary.

SECTION 3: WAGE RATE REQUIREMENT

Sec. 1606. Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code.

3.1 Are you willing to include this "Wage Rate Requirement" in your plans and specification documents and provide supporting

documentation that you have complied with this requirement? ☒ Yes ☐ No

If No, please provide a brief explanation below:

3.2 If you have already solicited bids, was this requirement included? ☐ Yes ☐ No If No, would you be willing to re-bid? ☐ Yes ☐ No If you had to go back out and re-bid, please adjust your answer in Section 1, if necessary.

SECTION 4: POTENTIAL PROJECT DELAYS

4.1 To your knowledge, are there any issues such as NEPA compliance, SHPO compliance, Permit requirements, etc, that could possibly delay your project? ☐ Yes ☒ No

If yes, please explain briefly below:

SECTION 5: REPORTING REQUIREMENTS

5.1 Each Calendar quarter during construction, you will be required to provide a report outlining at a minimum the following information:

- Completion status of the project
- Estimated number of jobs created each quarter
- Estimated number of jobs retained since the last quarter

Will you be capable of providing this type of reporting? ☒ Yes ☐ No

5.2 Please estimate the total number of jobs 15 that will be created or retained if this project receives ARRA funding and provide a brief explanation below:

Jobs created apply to material and labor associated with the projects.

SECTION 6: GREEN, EFFICIENT, INNOVATIVE PROJECTS

6.1 Does your project address any of the following: green infrastructure, water or energy efficiency improvements or other environmentally innovative activities? ☒ Yes ☐ No

6.2 Sustainability Infrastructure Practices

Percentage of Project

A. Water Re-Use & Conservation - Project/System

The use of improved technologies and practices to deliver equal or better services with less water.

☒ project will generate or utilize reclaimed water for direct re-use

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☐ project will correct water loss issues

☐ project will enhance water conservation program(s)

B. Energy Use & Conservation (Efficiency)

Includes capital projects that reduce the energy consumption of eligible water quality projects or produce clean energy used by a treatment works

☒ project will significantly improve system efficiency

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☐ project will employ significant alternative energy sources and/or co-generation efforts

☐ project will include an Energy Audit

C. Green Practices (Green Infrastructure)

Green Infrastructure includes a wide array of practices at multiple scales that manage wet weather to maintain and restore natural hydrology by infiltrating, evapotranspiring and capturing and using stormwater.

☐ project will address stormwater through green infrastructure practices

D. Environmentally Innovative Projects

Projects that demonstrate new and/or innovative approaches to managing water resources in a more sustainable way, including projects that achieve pollution prevention or pollutant removal at the least life-cycle costs, subject to environmental review results. Includes approaches to incorporate green infrastructure into drinking water, stormwater and wastewater utility infrastructure and management.

☒ project utilizes solid waste reduction alternatives

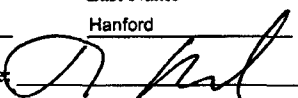
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☐ project meets EPA "Green Building" practices

☐ other:

6.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge,

true, accurate, and correct.

First Name	Last Name	Title
Robert	Hanford	Manager
Authorized Signature		Date: 3/6/09

This Application Addendum must be printed, signed and returned to WIFA within 5 days of electronic submittal